



*The Standards describe the nature of internal audit activities, key components of a charter and an annual plan of activities, ways of conducting an engagement and communicating results, and criteria for evaluating the performance of the services.*

It is, indeed, a new world in internal auditing – not so much because the profession itself has dramatically changed, but because the demand for corporate accountability is at an all-time high. For those high-road internal audit professionals who have always practiced in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, today's practice is not far from business as usual.

These practitioners have consistently monitored and reported on the organization's ethical climate and system of internal control and have systematically assessed risks and made recommendations for improving risk-mitigating processes. They also have provided to management and the audit committee clear communication, guidance, and assurance regarding compliance with rules and regulations, threats to the effectiveness of the organization's operations and reputation, and steps toward enhanced corporate governance. For these auditors and their organizations, passage of the 2002 Sarbanes-Oxley Act in the United States essentially formalized or mandated processes to which they were already adhering. For organizations that had not maintained these processes, the legislation has been much more ominous and compliance has presented a more daunting task.

The *Standards* set the bar for professionalism by delineating basic principles that represent the practice of internal auditing as it should be, providing a framework for performing and promoting a broad range of value-added internal audit activities, establishing the basis for the evaluation of internal audit performance, and fostering improved organizational processes and operations.

The *Standards* and the *Code of Ethics* are “mandatory” guidance components of the Professional Practices Framework (PPF). The PPF also comprises Practice Advisories, “advisory” guidance, which is available free of charge to IIA members, and development and practice aids that provide “practical, how-to” guidance for the professional practice of internal auditing.

The Practice Advisories consist of detailed, step-by-step guidance for adhering to the *Standards*. For example, Standard 2600 addresses management's acceptance of risks. Specifically, this Standard states that when the chief audit executive (CAE) believes senior management has accepted a level of residual risk that is unacceptable to the organization, he or she should discuss the matter with senior management; and if the issue is not resolved as a result of this action, should report the matter to the board for resolution. The Practice Advisory (PA) for this *Standard* suggests how to communicate sensitive information within and outside of the chain of command.

According to the PA, the CAE would discuss his or her concerns about the risk exposure with senior management within his or her normal chain of command. Because the audit or other committee of the governing board would also be expected to be in the CAE's chain of command, the members of the board committee normally would be apprised of such concerns as well.

If the CAE, after those discussions with senior management, is still unsatisfied and concludes that the organization is vulnerable to an unacceptable risk and that senior management is not taking appropriate action to halt or correct the situation, the Practice Advisory suggests that both senior management and the CAE present the essential information and their differences of opinion to the members or a committee of the governing board. The PA also reminds the CAE to consider and comply with any country-specific legal or regulatory stipulations regarding discovery of violations of criminal, securities, food, drug, or pollution laws and other illegal acts, such as bribery or other improper payments to government officials or to agents of suppliers or customers.